



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

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DOMESTIC SPIRITS TRANSFERRED TO CUSTOMS BONDED WAREHOUSES UNDER 26 U.S.C. 5066(a)

Proprietors of Distilled Spirits Plants,
Wholesale Liquor Dealers, and Others Concerned:

Purpose. The purpose of this circular is to remind proprietors of distilled spirits plants, wholesale liquor dealers, and others concerned, that domestic distilled spirits transferred to a customs bonded warehouse under the authority of 26 U.S.C. 5066(a) may be removed from such warehouse free of tax only for the specific purposes described in 26 U.S.C. 5066(b).

Background. The Bureau of Alcohol, Tobacco and Firearms has been informed that domestic distilled spirits transferred to customs bonded warehouses under the provisions of 26 U.S.C. 5066(a) have been removed from such warehouses free of tax for use as supplies on vessels and aircraft and possibly for sale at duty free stores. Removals for these purposes are not permissible under 26 U.S.C. 5066(b).

Permissible Operations Under 26 U.S.C. 5066. Section 5066 of the Internal Revenue Code of 1954 was added to the Code by Public Law 91-659, 84 Stat. 1964. Section 5066(b) states, among other things, that domestic distilled spirits which have been entered into a customs bonded warehouse under Sections 5066(a) or 5521(d)(2) may be withdrawn therefrom "for consumption in the United States by and for the official or family use of such foreign governments, organizations, and individuals who are entitled to withdraw imported distilled spirits from such warehouses free of tax."

Section 5066(a) provides for the transfer to customs bonded warehouses of both (a) distilled spirits bottled in bond (on domestic distilled spirits plant premises) for export, and (b) taxpaid distilled spirits which have

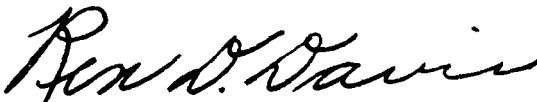
been bottled on the premises of a domestic distilled spirits plant and which are eligible for export with benefit of drawback.

Section 5521(d)(2) provides for the transfer of distilled spirits from a manufacturing bonded warehouse to a customs warehouse.

Domestic distilled spirits transferred to a customs bonded warehouse under the provisions of 26 U.S.C. 5066(a) may not be withdrawn therefrom for (1) sale outside the United States, or for (2) consumption outside the United States. If such spirits are withdrawn for regular domestic use they shall be treated as American goods exported and returned, and customs duties must then be paid on such spirits in amounts equal to the internal revenue taxes that otherwise would have applied (26 U.S.C. 5066 and Senate Report No. 91-1468, of December 16, 1970).

Domestic distilled spirits transferred to a customs bonded warehouse under the provisions of 26 U.S.C. 5066(a) may not be removed free of tax from such warehouse for such purposes as supplies on vessels and aircraft or for sale at duty-free stores.

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to the Assistant Director (Regulatory Enforcement), Bureau of Alcohol, Tobacco and Firearms, 1200 Pennsylvania Avenue, NW., Washington, DC 20226.


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Director

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